

# THE HCTC AT A GLANCE

**HCTC** | *Stay covered.*  
Health Coverage Tax Credit

## HCTC

*The credit helps  
eligible individuals pay  
for health insurance.*

## Eligibility

*Who is eligible  
for the HCTC?*

The Health Coverage Tax Credit (HCTC) is a federal tax credit administered by the Internal Revenue Service (IRS). The HCTC pays 80% of qualified health insurance premiums, allowing eligible individuals to pay only 20%.

- Trade Adjustment Assistance (TAA), Alternative TAA (ATAA), and Reemployment TAA (RTAA) benefit recipients who receive a Trade Readjustment Allowance or Unemployment Insurance,
- Pension Benefit Guaranty Corporation (PBGC) payees who are 55 years old or older, and
- Their qualified family members.

## General Requirements

*Eligible individuals must  
meet general requirements.*

To receive the HCTC, individuals:

- Must have or obtain a qualified health plan. See reverse side for details.
- Cannot be claimed as dependents on another person's federal tax return (unless claiming the HCTC as a qualified family member).
- Cannot be enrolled in the 65% COBRA Premium Reduction program.
- Cannot be in prison.

## Receiving the HCTC

*Eligible Individuals can  
receive the HCTC  
monthly or yearly.*

- **Monthly HCTC:** Individuals can receive the HCTC each month, when their health premiums are due.
- **Yearly HCTC:** With the yearly option, individuals pay their health plan premiums in full and then claim the credit on their tax returns. The credit will be refunded or applied to their year-end taxes.



[www.irs.gov/hctc](http://www.irs.gov/hctc)

## Qualified Health Plans

*The most common qualified health plans are COBRA, State-Qualified Health Plans, and Spousal Coverage.*

- **COBRA:** Individuals must pay more than 50% of their COBRA premium to receive the HCTC.
- **State-Qualified Health Plan (SQHP):** Please refer to the HCTC website for a listing of SQHPS.
- **Spousal Coverage:** The spouse must pay more than 50% of the premium.

Under certain circumstances, non-group/individual health plans and Voluntary Employees' Beneficiary Association (VEBA) plans qualify. Please see the HCTC Program Kit for more information.

## Recovery Act Changes That Help

*The American Recovery and Reinvestment Act of 2009 enhanced the HCTC program.*

- The tax credit increased from 65% to 80%.
- The duration of COBRA coverage was extended for eligible individuals.
- Individuals can be reimbursed for premiums paid while enrolling in the monthly HCTC Program.
- The HCTC now covers qualified family members for 24 months after the primary HCTC candidate enrolls in Medicare, passes away, or divorces.

All American Recovery and Reinvestment Act (ARRA) changes are set to expire December 31, 2010 unless reauthorized by Congress.

## HCTC vs. COBRA Premium Reduction

*Individuals should determine if the HCTC or COBRA Premium Reduction best suits their needs.*

The COBRA Premium Reduction is a program created by the ARRA in which former employers pay 65% of COBRA premiums.

### **HCTC vs. COBRA Premium Reduction:**

- The HCTC pays 80% of health plan premiums; the COBRA Premium Reduction pays 65% of COBRA premiums.
- Individuals cannot receive the HCTC and COBRA Premium Reduction in the same month.
- Individuals may switch from the COBRA Premium Reduction to the HCTC. By the time an individual receives his or her first HCTC invoice, they should have stopped receiving the COBRA Premium Reduction.